

**SAWS Second Generation Costs
Options and Considerations
July 24~ 2000**

Option 1

Counties continue to participate in development and maintenance and operations (M&O) costs based on the funding strategy contained in Welfare and Institutions (W&I) Code Section 10824.

- The ISAWS Consortium does not pay any development costs.
- The LEADER Consortium pays a share of all development costs based on program sharing ratios in effect at the time.
- The WCDS Consortium and C-IV pay only five percent of application development costs.
- The State pays the county share of M&O costs for the first 12 months of production except for the LEADER Consortium.
- The county share of M&O costs after the twelfth month is based on program sharing ratios in effect at the time.

ISAWS Consortium counties with a caseload of less than 3700 do not pay M&O costs (this provision sunsets 6/30/01).

Considerations

- Represents the status quo that is currently accepted by the counties.
- Does not require legislation.
- For all consortia except LEADER, continues to mitigate issues related to the ability of individual counties to secure county funds for development activities. Does not provide for equal treatment of the consortia.
- May not provide the appropriate level of fiscal incentive for the ISAWS Consortium to select the best value solution.
- If the ISAWS Consortium procures the second generation contract (instead of HHSDC), the Consortium will have control of the contract with no financial stake in the development effort.
- Five percent of application development costs, given current program sharing ratios, is relatively insignificant. This county share stake may be too low to ensure selection of the best value solution.
- The State currently pays the first 12 months of production costs. There are two reasons for this strategy. During case conversion counties are required to operate and maintain both the legacy system and the new SAWS system. Also, the operational change introduced by the SAWS systems is significant. The realization of administrative and program savings was expected to be delayed until staff became more accustomed to using the system. For second generation systems, the case conversion effort may be very different and the degree of change should be less.

- Once the initial SAWS consortium system is fully implemented~ the implementation of SAWS in a particular consortium is complete and the system becomes a legacy system. Are there reasons to treat the funding of the SAWS legacy systems any differently than pre-SAWS legacy systems? Counties participating in M&O costs currently share only in Food Stamp costs; ISAWS also shares in Foster Care. See separate discussion about county share and Maintenance of Effort (MOE).
- See separate discussion on continuation of small ISAWS counties being exempted from paying M&O costs.

Option 2

Adopt a funding strategy for development costs that applies to all consortia.

Considerations

- Provides for equal treatment of all consortia.
- Requires legislation.
- The reasons for different consortia financial participation in the current funding strategy may no longer be valid. The ISAWS Consortium was excluded from participating in application development costs because the application had already been developed. Los Angeles County obtained a federal waiver to develop its own system outside of SAWS prior to adoption of the multiple consortium strategy. Since the procurement had been completed and development had begun without significant State involvement, the SAWS funding strategy required the County to continue paying its regular share of development costs.
- Is the county share of costs a factor in controlling costs? Los Angeles pays the normal county share of all costs and selected the lowest bid. Since contract execution, contractor costs have escalated. The WCDS Consortium had only one bidder. C-IV did not select the lowest bidder.
- How does devolution relate to county financial responsibility and how is that balanced with State oversight/responsibility for project success?
- Should there be fiscal incentives to encourage certain second generation decisions; i.e., counties moving to another consortium?

Option 3

Require counties to participate in SAWS costs without regard to the MOE

- AB 1542 repealed the county sharing ratios for the AFDC Program. In addition, CalWORKS and Food Stamp costs, including SAWS costs, count towards the counties' MOE. In 1998, following passage of AB 1542, CDSS decided that elimination of the county sharing ratios was inconsistent with the SAWS strategy adopted in AIB 87 (Statutes of 1997).

- A technical amendment was drafted to revise W&I Code Section 10824 which would have resulted in restoring a county share for CalWORKS. In addition, SAWS M&O costs would not count towards the MOE
- The decision not to count SAWS costs towards the MOE resulted primarily from the MOE being based on FY 1996/97 actual costs. During this period not all counties were paying SAWS costs. This resulted in a higher or lower MOE and a higher or lower General Fund obligation depending on the level of SAWS expenditures incurred by a county during FY 1996/97.
- The advantages of this change identified in 1998 were: consistent with the legislative intent of AB 67; reduces General Fund costs; more equitable for all counties by placing them on equal ground for their share of system costs; treats CalWORKS and Foster Care SAWS costs the same,
- The disadvantages of this change identified in 1998 were: County Fund increase; would reopen the MOE issue creating a potential for counties or the Legislature to revisit other funding issues within the statute; current counties with legacy systems could raise the issue of equity since the current EDP costs are already within the current MOE base for FY 1996/97.
- CWDA successfully lobbied to remove the proposed technical amendment from CalWORKS clean-up legislation. CDSS did not pursue these changes further,
- The potential elimination or revision of TANF block grant provisions and/or the CalWORKS Program could impact the decision to consider this option at this time.
- Requires legislation.

Option 4

Require all ISAWS Consortium counties to participate in M&O costs.

Considerations

- The original intent was to provide relief to the 12 "very small" counties consistent with other funding provisions for these counties. DOF was unwilling to approve language that would specify the 12 counties or the CDSS definition of very small counties. The current statute specifies a caseload threshold of 3700. In FY 1999/00, thirteen counties fell below the caseload threshold because of decreasing caseloads.
- This funding provision sunsets after FY 2000/01.
- The counties plan to pursue legislation to continue the provision. We do not have any details on the proposed language.
- Do we support exceptions for some group of small counties? If so, what are the parameters for the exceptions?

Option 5

Require counties to participate in M&O costs when production begins.

Considerations

- The 12-month exemption from paying M&O costs is arbitrary in that the time required to complete case conversion will vary depending on the size of the county and the conversion strategy.
- The initial implementation of SAWS will result in all counties having a significant level of automation. The second generation systems should represent significantly less change.
- Additional administrative and program savings may not be a factor in second generation systems.
- Requires legislation.

AD 1542, CHAPTER 270
STATUTES OF 1997
WELFARE TO WORK ACT OF 1997

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS)
LEGISLATIVE CHANGES

TOPIC:

County share of Statewide Automated Welfare System (SAWS) Project costs AB 67, Trailer Bill to the 1997 Budget Act, specifies state and county funding responsibilities for SAWS. AB 1542 SEC. 163 repealed Section 15204.2 of the Welfare and Institutions Code. This Section contained the county sharing ratios for the administration of the Aid to Families with Dependent Children (AFDC) and Foster Care (FC) Programs. SEC. 166 of AB 15642 added Section 15204.4 which requires a county Maintenance of Effort (MOE) expenditure at the FY 1996/97 level.

PROBLEM:

During Fiscal Year (FY 1995/96 CDSS, HWDC, the Department of Finance and the Legislature agreed to a funding strategy for SAWS Project costs. These agreements were included in the 1995 Budget Act, the 1997 Budget Act and AB 67. Many of the Sections in AB 67 specify a required county shared costs in the requirements for county financial participation. AB 1542, by repealing the county sharing ratios for the AFDC and FC Programs, has essentially nullified the SAWS M&O funding provisions in AB 67 for these programs. AB 67 however, mandates counties not participating in Interim Statewide Automated Welfare System or LEADER to collectively pay 5% of the total application development cost. This provision remains in effect since AB 67 did not specify the basis for determining the county share and previous statutes for determining county share have been repealed with an MOE based on FY 1996/97 actual expenditures. A county Moe for SAWS M&O costs will under or overstate the county financial participation for automation costs, thereby increasing or decreasing General Fund participation for an individual county depending on where the county falls with the implementation of SAWS. Inclusion of SAWS costs in the MOE is also inconsistent with the previous CDSS agreement to provide a separate allocation for SAWS cost which would allow for county financial participation as intended by AB 67.

PROPOSED SOLUTION:

Restore the sharing ration for SAWS costs.

PROS:

- Consistent with legislative intent of AB 67.
- Reduces General Fund costs.
- More equitable for all counties by placing them on equal ground for their share of system costs.
- Treats AFDC and FC SAWS costs the same.

CONS:

- County fund increase.
- Would reopen the MOE issue creating a potential for counties or the Legislature to revisit other funding issues within the statute.
- Current counties with legacy systems could raise the issue of equity since the current EDP costs are already within the current MOE base for 1996/97.